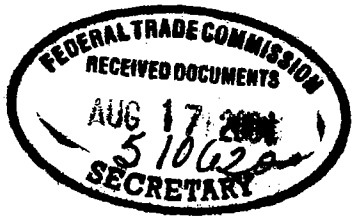
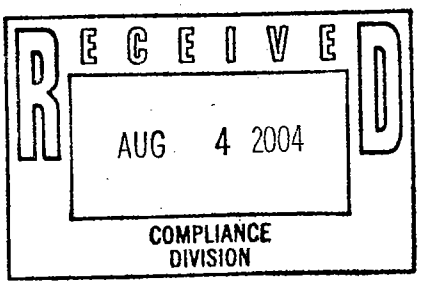
ORIGINAL





July 29, 2004

Mr. Joseph Eckhaus
Bureau of Competition
Federal Trade Commission
Office of the Secretary
600 Pennsylvania Avenue, N.W.
Washington DC 20580

File: 041-0020 Docket No. C-4109

Re: Air Liquide – MGI – Matheson Trigas

Dear Sir:

I have the following comments on the above subject.

First, I believe the acquisition of the US assets of MGI by Air Liquide in general will result in increased prices for customers of industrial gases. Air Liquide is paying too great a sum of money for the assets they are purchasing from MGI in the USA and in Europe. They are simply intending to eliminate one competitor in what is already a concentrated and oligopolistic market.

Why do I say this? On a macro basis the purchase price for the assets is at a multiple of 2.6 times yearly sales revenue is very high. From my direct experience in this industry one would pay about 1 times yearly revenues for the cylinder business (see Airgas purchase of Air Product's cylinder business), 1.3 times yearly revenue for the liquid business, and 2.1 times yearly revenue for the tonnage business (see the calculation sheet attached). Granted Air Liquide has the capacity to borrow at a low interest rate but they still need to recover their investment in five to six year on a simple payout basis..

That Matheson Trigas will pay $155 million for just over $60 million of revenues that is primarily from liquid sales. This offer is way overpriced. Again they should have paid between $75 and $85 million for this business. Note MGI paid only $30 million for the two California plants when they bought them from AGA a few years back (see the Micro magazine article that is attached). The Vacaville plant is in PG&E service territory and is essentially the high cost producer in Northern California. Much higher energy prices mean that the Vacaville plant is non competitive and Matheson will source product from BOC (Sacramento), Air Products (Santa Clara) or the much larger Praxair/Air Liquide facility in Pittsburg.

My hunch is prices of industrial gases from the six plants that Matheson is buying under the divestiture will have to rise by 20% to amortize the capital of $155 million that they are intending to pay for the business. Air Liquide will also likely raise prices on the gasses they manufacture with the assets they will purchase from MGI. My hunch is that Air Liquide will also have to raise prices by 15 to 20% to afford the high price they paid for those assets that the FTC is allowing them to retain.

Please let me know if I can be of any assistance to the FTC in this matter.

Sincerely,

Lindsay Leveen

CA

http://www.micromagazine.com/archive/98/06/expans.html

MG buys two gas plants

MG Industries spent $30 million for two California air separation plants from AGA Gas. The plants are located in Irwindale and Vacaville, near Los Angeles and San Francisco, respectively. They produce oxygen, nitrogen, and argon for the semiconductor industry and other markets. MG says the acquisition makes the supplier better able to serve its customers in the western United States, where its capacity is stretched to the limit. The company has air separation plants in Kalama, WA, and Tijuana, Mexico. MG's main office is in Malvern, PA. The company had 1997 sales of more than $330 million.

From Chemical and Marketing Reporter Jan 21, 2002

AIRGAS INC.'S move earlier this month to buy the nonelectronic US cylinder gas business of Air Products and Chemicals Inc. is the latest example of consolidation in the industrial gas market as companies seek greater economies of scale and ways to reduce costs.

The pending acquisition of the Air Products' business is a strong strategic fit with Airgas's core business, which has continued to generate strong cash flows and perform well, the company says. Terms of the transaction involve a purchase price of $236 million, including a $5 million deposit, with no assumption of liabilities, according to Airgas. Air Products' US cylinder gas business had revenues of $223 million in fiscal year 2001, 76 percent of which were in gas sales and cylinder rent, with the remainder from welding hardgoods and supplies. The deal, which is subject to regulatory approvals, is expected to close late next month.

Tonnage Plant Economics

Tons per day oxygen 500
Tons per day nitrogen 1000
Tons per day crude Argon 16
Capital cost $18,000,000
Yearly capital recovery = $3,600,000 per year
Power 7.5 mw X 8760 hours X $55/mwh = $3,613,000 per year
Labor = $200,000 per year
Maintenance = $300,000 per year
Insurance = $120,000 per year
Water and consumables = $150,000 per year
Operating overhead = $150,000 per year
SG&A = $300,000 per year
Total revenues per year = $8,433,000 per year
Investment to yearly revenues = 18,000,000/8,433,000 = 2.13

Liquid Plant Economics

Tons per day liquid 500 (oxygen plus nitrogen plus argon)
Capital cost $15,000,000 plant
Capital cost trucks and customer stations $7,000,000
Yearly capital recovery = $4,400,000 per year
Power 12 mw X 8760 hours X $55/mwh = $5,800,000 per year
Labor = $300,000 per year
Maintenance = $300,000 per year
Insurance = $100,000 per year
Water and consumables = $200,000 per year
Operating overhead = $200,000 per year
Distribution = $4,000,000
SG&A = $2,000,000 per year
Total revenues per year = $17,300,000 per year
Investment to yearly revenues = 22,000,000/17,300,000 = 1.27